

## Public Agenda Item #15e

Review, Discussion and Consideration of the  
Texas Employees Group Benefits Program for Fiscal Year 2017:

GBP Financial Status Update and Rate Proposals for HealthSelect<sup>SM</sup>  
of Texas and Consumer Directed HealthSelect

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# HealthSelect Background

## *Funding and Enrollment*



- HealthSelect is funded by member and state contributions
  - The State pays 100% of employee/retiree contributions
  - The State pays 50% of the contributions for dependent coverage
  - Member share costs through copayments, deductibles, and coinsurance.

83% of GBP members are enrolled in HealthSelect.

# HealthSelect Background

## *Participant Enrollment*



Coverage	Actives	Dependents	Retirees	Dependents	Beneficiaries	Dependents	COBRA	Dependents	TOTAL Members	Total Dependents
Member Only	126,208	0	36,183	0	1,093	0	591	0	<b>164,075</b>	<b>0</b>
Member + Spouse	17,224	17,169	9,571	9,555	0	6	49	41	<b>26,844</b>	<b>26,771</b>
Member + Child(ren)	40,032	74,811	2,848	4,313	19	7	32	57	<b>42,931</b>	<b>79,188</b>
Member + Family	21,903	66,129	1,960	5,251	0	0	24	69	<b>23,887</b>	<b>71,449</b>
Spouse Only	0	0	0	2,361	0	0	0	0	<b>0</b>	<b>2,361</b>
Child(ren) Only	0	0	0	836	0	28	0	0	<b>0</b>	<b>864</b>
Spouse + Child(ren)	0	0	0	714	0	90	0	0	<b>0</b>	<b>804</b>
<b>TOTAL</b>	<b>205,367</b>	<b>158,109</b>	<b>50,562</b>	<b>23,030</b>	<b>1,112</b>	<b>131</b>	<b>696</b>	<b>167</b>	<b>257,737</b>	<b>181,437</b>

# HealthSelect Benefits

*Affordable Care Act (ACA) Fiscal Year 2017*



Each year the ACA affects HealthSelect benefits and fees:

- Medical and pharmacy cost sharing amounts will continue to be combined into one out-of-pocket maximum:
  - Individual maximums are increased to \$6,550
  - Family maximums are increased to \$13,100
  - Maximum out-of-pocket coinsurance limit will remain at \$2,000 for medical expenses, which is included in the overall maximum amount.

# HealthSelect Benefits

## *Affordable Care Act (ACA) Fiscal Year 2017*



- Required Affordable Care Act (ACA) fees have increased the costs to the health plan.
  - Approximately \$37.1 million was paid for FY16
  - Costs for FY17 are expected to be approximately \$12.5 million
- These costs include the:
  - Patient Centered Outcomes Research Institute (PCORI) funding which will be assessed through FY 2019
  - Transitional Reinsurance Program fee which will be assessed through calendar year 2016 only.

# HealthSelect Cost Reduction Strategies

## *Alternative Reimbursement Program Updates*



- ERS currently has five large, clinically-integrated, multi-specialty practice groups that have agreed to participate in the Patient-Centered Medical Homes (PCMH).
- Savings from this program include:
  - GBP saved approximately \$11 million in FY 2015
  - \$1.6 million was shared with the clinics currently in place

PCMH Clinic	Area	No. of GBP Participants
Austin Regional Clinic	Austin	23,860
Kelsey-Seybold Clinic	Houston	9,694
Covenant Health	Lubbock	7,828
Austin Diagnostic Clinic	Austin	5,394
Trinity Mother Francis	Tyler	3,928

# HealthSelect Cost Reduction Strategies

## Updates



- Employer Group Waiver Plan + Commercial Wrap (EGWP+Wrap) Update:

Calendar Year	Approximate Savings
2013	\$40 million
2014	\$50 million
2015	\$70 million
2016	\$65 million (projected)

- The GBP continues to receive funds through the Medicare Part D Subsidy (RDS) program.

# Consumer Directed HealthSelect

## *Plan Introduction and Design*



The 84th Legislative Session passed a mandate that the GBP offer a high deductible health plan beginning September 1, 2016. The Board approved the design in February 2016.

- \$2,100 in-network individual / \$4,200 in-network family deductible
  - Includes medical and pharmacy benefits
- Plan pays 80% of in-network services after deductible is met.
- Preventive services are not subject to deductible and are covered at 100% when received in-network.
- Referrals to specialist providers are not required.



# HealthSelect Contribution Rate Analysis

*Fiscal Year 2017*



- The following factors are used by the Underwriting, Data Analysis, and Reporting (UDAR) unit of Benefit Contracts when determining the recommended contribution rates for HealthSelect:

Revenue requirements	Projected contingency fund balance
Expected state funding	Cost containment practices
Historical enrollment	Claims experience
Anticipated increases in plan costs due to the ACA	HMO impacts and funding of basic life and AD&D coverages

- Medical benefit cost trend continues at a rate of 6.5% through FY16
- Prescription drug trend is projected to be 16%
- Total health plan benefit cost trend is projected to be 9%

# HealthSelect Contribution Rate Analysis

*Fiscal Year 2017*



- House Bill 1 provides funding increase per capita contributions for the GBP health plan at 7% for FY2017.
- ERS would maintain benefits at the current level and use the contingency fund to supplement employer and member contributions during the biennium, as necessary.
- ERS recommends a 7.1% increase in HealthSelect contribution rates. This would equal a 7.0% increase when averaged with HMO and basic life contributions.
- Member contributions for Consumer Directed HealthSelect dependents are 90% of HealthSelect dependents to ensure revenue neutrality.

# Staff Recommendation

## *HealthSelect Proposed Contribution Rates Fiscal Year 2017*



### HealthSelect of Texas Monthly Contribution Rates for Fiscal Year 2017 (Effective September 1, 2016)

Coverage Category	Total Contribution	State Contribution	Member Contribution	Change in Member Contribution
Member Only	\$615.08	\$615.08	\$0.00	\$0.00
Member + Spouse	\$1,322.44	\$968.76	\$353.68	\$23.44
Member + Child(ren)	\$1,088.68	\$851.88	\$236.80	\$15.68
Member + Family	\$1,796.05	\$1,205.56	\$590.48	\$39.12

# Staff Recommendation

## *Consumer Directed HealthSelect Proposed Contribution Rates FY17*



### **Consumer Directed HealthSelect** Monthly Contribution Rates for Fiscal Year 2017 *(Effective September 1, 2016)*

<b>Coverage Category</b>	<b>Total Contribution</b>	<b>State Contribution</b>	<b>Member Contribution</b>	<b>Savings vs. HealthSelect Difference</b>
Member Only	\$615.08	\$615.08	\$0.00	\$0.00
Member + Spouse	\$1,287.08	\$968.76	\$318.32	(\$35.36)
Member + Child(ren)	\$1,065.00	\$851.88	\$213.12	(\$23.68)
Member + Family	\$1,737.00	\$1,205.56	\$531.44	(\$59.04)

Questions?